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**mentor**

EXPLORATION AND DEVELOPMENT CO., LIMITED



GOLD SILVER GOLD SILVER  
Au Ag Au Ag Au Ag Au  
Au Ag Au Ag Au Ag Au  
GOLD SILVER GOLD

**1980**

ANNUAL REPORT







*The Eagle Mine — Gold Division — Joutel, Quebec  
Agnico-Eagle Mines Limited.*

# mentor

EXPLORATION AND  
DEVELOPMENT CO. LIMITED



## ANNUAL REPORT

### 1980

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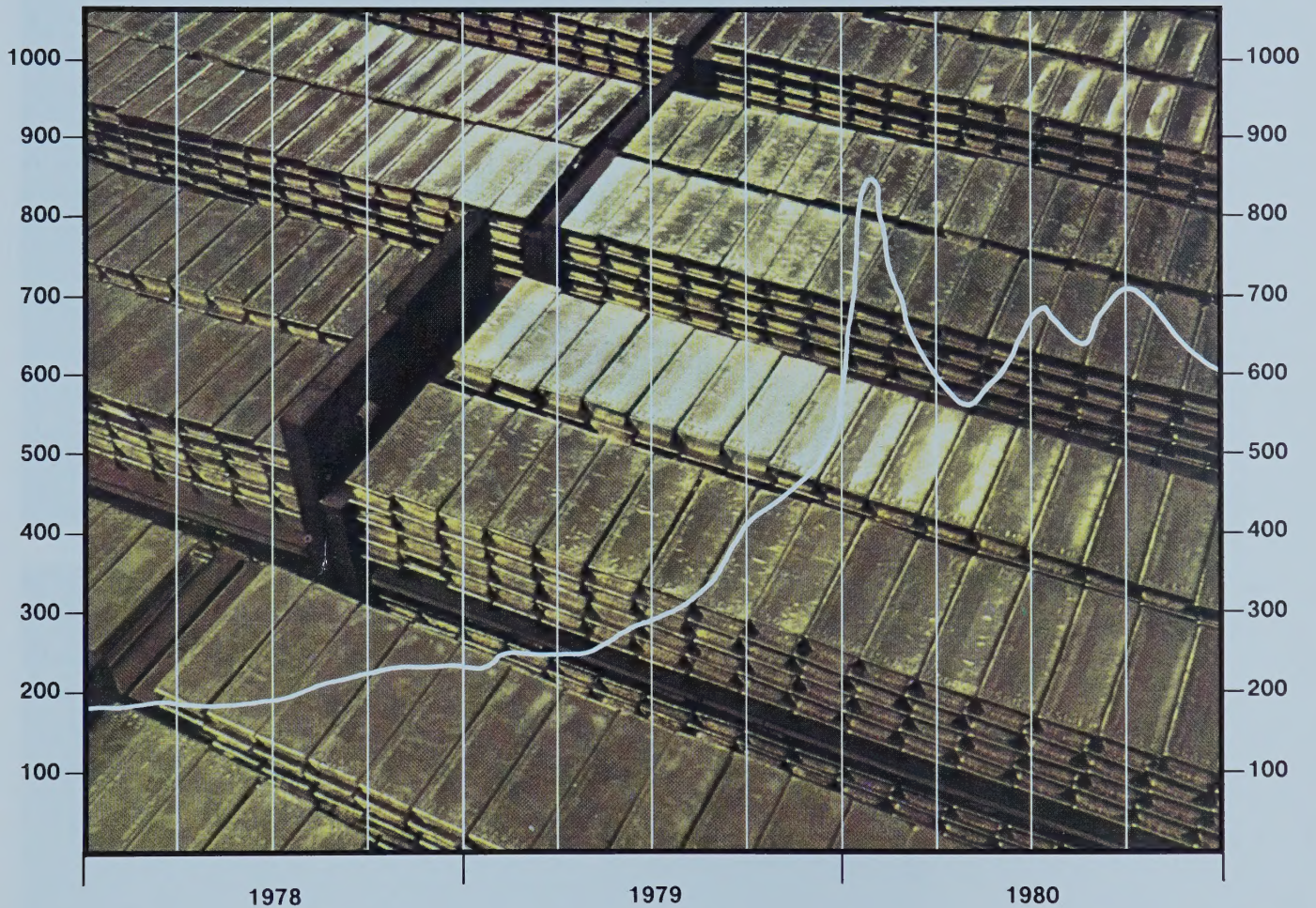
# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

<b>Executive and Head Office</b>	Suite 300, 365 Bay Street, Toronto, Ontario M5H 2V1
<b>Directors</b>	IRVING DOBBS PHILIP DRUTZ GORDON W. KIRK, P. Eng. JOHN R. MURRAY PAUL PENNA ALBERT WASSERMAN
<b>Officers</b>	PAUL PENNA, <i>President</i> MIKEY DRUTZ, <i>Secretary-Treasurer</i> BARRY LANDEN, <i>Financial Comptroller</i>
<b>Consulting Geologist</b>	W. A. HUBACHECK, B.Sc., P.Eng.
<b>Transfer Agent and Registrar</b>	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
<b>Auditors</b>	STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL Chartered Accountants Toronto, Ontario
<b>Solicitors</b>	SHIBLEY, RIGHTON & MCCUTCHEON Toronto, Ontario
<b>Shares Listed</b>	TORONTO STOCK EXCHANGE Toronto, Ontario
<b>Annual Meeting</b>	June 26, 1981, 11:30 a.m. (Toronto Time) Library Room, Main Mezzanine, Royal York Hotel 100 Front Street West, Toronto, Ontario



## CHART OF GOLD PRICES — 1978 to 1980

(Plotted on weekly average gold price, second fixing — London Gold Market)



### Yearly Average Gold Price — Per Troy Ounce

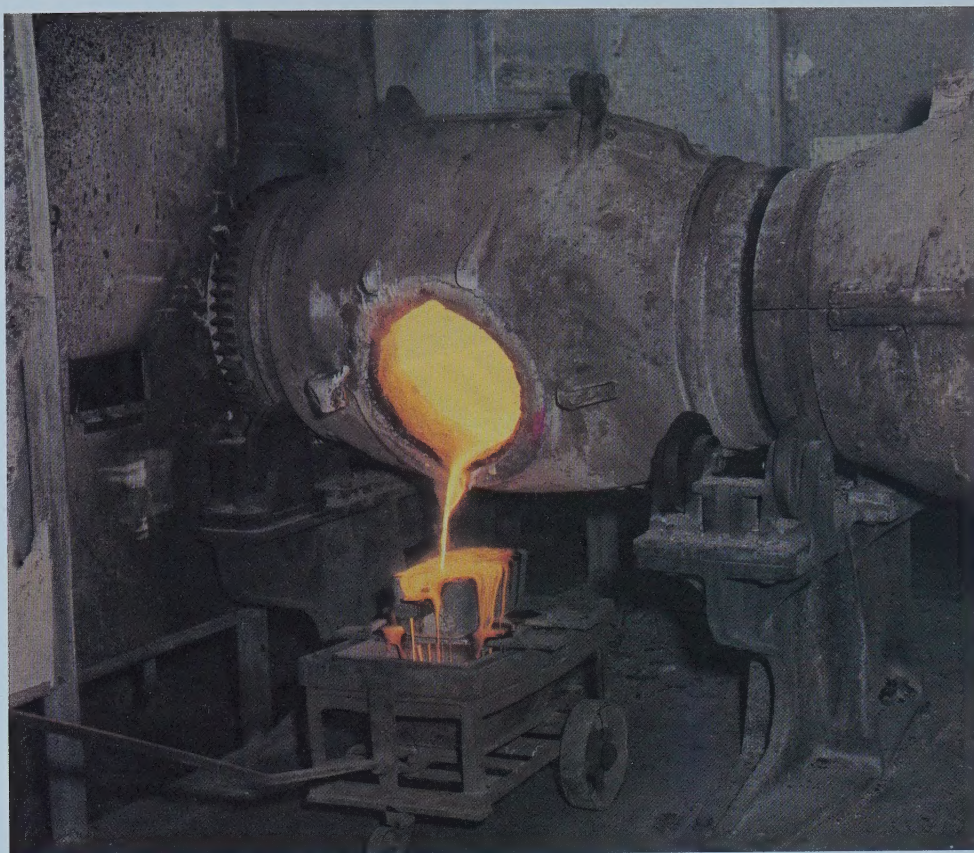
<u>Year</u>	<u>U.S. Dollars</u>	<u>*Can. Dollars</u>
1978	\$193	\$222
1979	\$307	\$366
1980	\$612	\$735
1981 — 1st Qtr.	\$514	\$610

\* Represents actual average price per troy ounce received by Gold Division, Agnico-Eagle Mines Limited.



*The final product of the mine.*

*The refinery furnace is charged with a mixture of gold precipitate and flux and, after heating to about 2,500F., the molten bullion is poured into molds where the gold, owing to its high density, separates from the slag.*



*The recovery of gold from the mineralized rock is one of the most efficient processes in modern metallurgy. This involves the final recovery of the bullion which represent approximately one part in nearly one hundred thousand parts of rock and successfully extracts more than 90% of the metal. Alongside shows the operator drill-sampling the bar before shipment to the Royal Canadian Mint at Ottawa, Canada.*





## REPORT OF THE DIRECTORS

The Directors are pleased to present the 1980 Annual Report of the Corporation which includes the audited financial statements for the year ended December 31, 1980 and the unaudited financial statements for the 1981 first quarterly period ended March 31, 1981.

### SUMMARY OF CORPORATE HIGHLIGHTS

In addition to its own very successful year, during which your Corporation recorded net earnings of \$3.5 million, largely as a result of gains totalling \$5 million on the sale of marketable securities and investments, the long term main investments which include substantial minority equity interests in associated Agnico-Eagle Mines Limited, Dumagami Mines Limited and Sudbury Contact Mines, Limited, were significantly influenced by developments related to their respective corporate activities.

Agnico-Eagle had a remarkable year in 1980 with cash flow up 60% to an impressive \$21.7 million from the previous year's \$13.5 million and net profit more than double the 1979 record of \$8 million to a highest ever \$18 million in 1980. This vigorous upsurge was reflected in the \$16.2 million increase in working capital to a year end total of \$30.8 million and total corporate liquid assets climbed to approximately \$45 million at the 1980 year end.

Dumagami Mines, in which your Corporation and associated Agnico-Eagle have a combined ownership exceeding 27%, is now reviewing the latest feasibility study of its open pit gold-silver-copper deposit and a definitive decision regarding final production preparations is expected in the near term.

In addition, Sudbury Contact, in which your Corporation has an approximate 31% equity interest, is joining with Agnico-Eagle in the ongoing program with its other joint venture partner, Serem Limited, in an important third year phase of the gold-silver project at the Toodoggone-Chapelle area of British Columbia in a \$2.2 million planned expenditure in the 1981 field season.

Depending upon the results of the first stage of the diamond drilling testing for the downward continuity of last year's drill intersections, commencement of an adit and underground program is also scheduled for this season.

And on its own account, your Corporation is continuing exploration of the optioned group of claims obtained under an agreement with Placer Development Limited covering the latter's former tungsten-producing 'Emerald Property' which was pooled with the other approximate 3,000 claims in the area to the east including the 'Victory Property'. Cumulative expenditures to March 31, 1981 on this undertaking now total \$464,253.

The final highlight, of course, is the Corporation's portfolio of marketable securities and investments with a quoted market value at the end of First Quarter 1981 in excess of \$34 million — and this notwithstanding the realized profits in the 15 month period totalling about \$5.2 million.

### FINANCIAL

Net earnings in 1980 amounted to \$3,546,556 equal to \$1.03 per share. This represents a very substantial increase from the 1979 net earnings of \$158,255 or 4.5¢ per share. As noted, the major contributing factors to 1980 earnings were the \$5,054,417 gain on the sale of marketable securities and investments, and interest and dividends earned totalling \$238,970.

There was an increase of \$1,178,948 in working capital during 1980, reducing the working capital deficiency at the year end to \$1,934,672 which compares with the working capital deficiency at the 1979 year end of \$3,113,620. The principal items relating to working capital in 1980 were the above described gain on the sale of marketable securities and investments, interest and dividends earned, and the outlay of \$2,368,763 for the acquisition of investments during the year.

Net earnings for the quarterly period ended March 31, 1981, amounted to \$25,150 equal to 0.7¢



per share against \$741,609 or 21.5¢ per share in the comparable 1980 period. The 1980 figures are after an extraordinary item of \$170,405 or 5.0¢ per share representing a tax credit from the utilization of unrecorded deferred tax benefits.

Working capital deficiency at March 31, 1981 of \$3,625,405 shows a \$1,690,733 decrease in working capital during the period from the deficiency at the

beginning of the period of \$1,934,672. The decrease is attributable to the \$1,749,121 outlay in the purchase of investments during the 1981 quarterly period.

The reclassification in 1979 of marketable securities and investment acquisitions from current to non-current assets is reflected in the working capital deficiency at year end 1980 and 1979, as well as at the end of the 1981 quarterly period.

*This picture shows the new shaft headframe and mining plant buildings at the Temiskaming Shaft which will provide an expanded underground access for the development of the Cobalt Lode, Brady Lake and Christopher properties. The Beaver Shaft, to the rear and left, has been the previous main access for the \$4 million underground program which has been virtually continuous since 1971.*





## INVESTMENTS

Investments, principally consisting of substantial minority shareholdings in Agnico-Eagle Mines Limited, Dumagami Mines Limited and Sudbury Contact Mines, Limited, had a carrying value at December 31, 1980 of \$8,408,111 and a quoted market value at that time of approximately \$35.5 million. In the subsequent period to March 31, 1981, certain dispositions and acquisitions were made and the resulting portfolio carried at a cost of approximately \$10 million had a quoted market value at the end of the 1981 first quarter of approximately \$34.3 million.

The following is a tabulation of the principal investment holdings at March 31, 1981:

**Agnico-Eagle Mines Limited** — 1,094,923 shares equal to an approximate 7.9% interest.

**Dumagami Mines Limited** — 843,600 shares equal to an approximate 18.2% interest.

**Sudbury Contact Mines, Limited** — 2,385,582 shares equal to an approximate 34.1% interest.

The following separate summaries of the three corporations in which Mentor has significant equity interests are presented for the information of shareholders:

### AGNICO-EAGLE MINES LIMITED

**Listed:** Toronto and Montreal Stock Exchanges and NASDAQ in the United States.

The corporation operates separate gold and silver mining divisions, respectively located in Joutel Township, Quebec, and in the Cobalt area of Ontario. It is also active in exploration including a 25% participating interest in the Serem Joint Venture and has substantial investment interests predominantly oriented around gold and silver resource properties.

The following are the principal 1980 financial and operating highlights, with comparative 1979 figures in parentheses:

Financial results for 1980, the third consecutive year of significantly expanded earnings, include bullion revenue from both operating divisions of \$48,840,988 before the deduction of \$4,029,942 in adjustments relating to the closing out during the year of futures contracts (\$26,956,747), operating cash flow of \$21,661,245 (\$13,505,636) equal to \$1.56 (\$0.97) per share, and net earnings of \$18,013,923 (\$7,946,110) equal to \$1.30 (\$0.57) per share.

Gross revenue for the Gold Division in 1980 totalling \$40,864,681 (\$23,902,229) reflects the

substantially higher average price received for gold produced during the year of \$735.26 per ounce (\$366.42) with a corresponding increase in net division revenue to \$23,502,138 (\$12,743,322). The latter figure is before the deduction of amortization of deferred expenditures and depreciation, corporate income tax and head office expenses.

The Silver Division revenue of \$7,976,307 (\$3,054,518) reflects the higher average price received for silver production of \$19.48 (\$16.31) per ounce and an increase in silver recovery to 409,441 (187,315) ounces from the total of 62,576 (46,075) tons of ore milled during the year. Net division revenue, prior to those deductions and expenses specified in the Gold Division net revenue figures, amounted to \$1,928,503 (\$1,565,723).

Agnico-Eagle's working capital increased by \$16.2 million during the year to a total of \$30.8 million at the end of 1980, more than double the 1979 year end figure of \$14.6 million. While buoyant gold and silver prices were major contributing factors to the record 1980 earnings, non-operating revenue, consisting of interest and sundry income together with realized gains from the sale of investment securities, amounted to \$5.6 million in 1980. This is a more than ten-fold increase from the 1979 non-operating revenue of \$500,826.

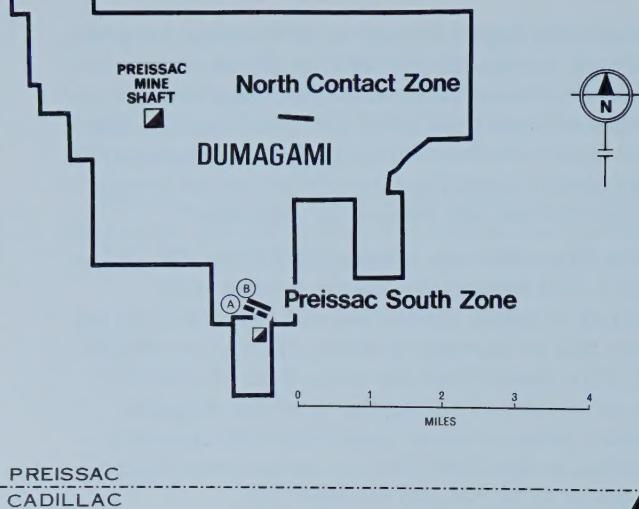
Exploration activity was considerably expanded in 1980 including a substantial program at both the Gold and Silver Mining Divisions and other outside projects including the ongoing program on the properties totalling some 232 claims in several groups that were staked during 1979-1980 within a 30 mile radius of the Eagle Gold Mine, plus a heavy commitment for the 1981 phase of the Serem Joint Venture project at the Toodoggone-Chapelle area of British Columbia.

Forecast production at the Silver Division for 1981 is in the order of 750,000 ounces, or nearly double the total of 1980, and recent additions and improvements at the Agnico-Eagle Penn Mill have increased the annual capacity to above 100,000 tons of ore or nearly 55% above the total treated in 1980. Anticipated production at the Gold Division in 1981 is in excess of 50,000 ounces together with by-product recovery of silver.

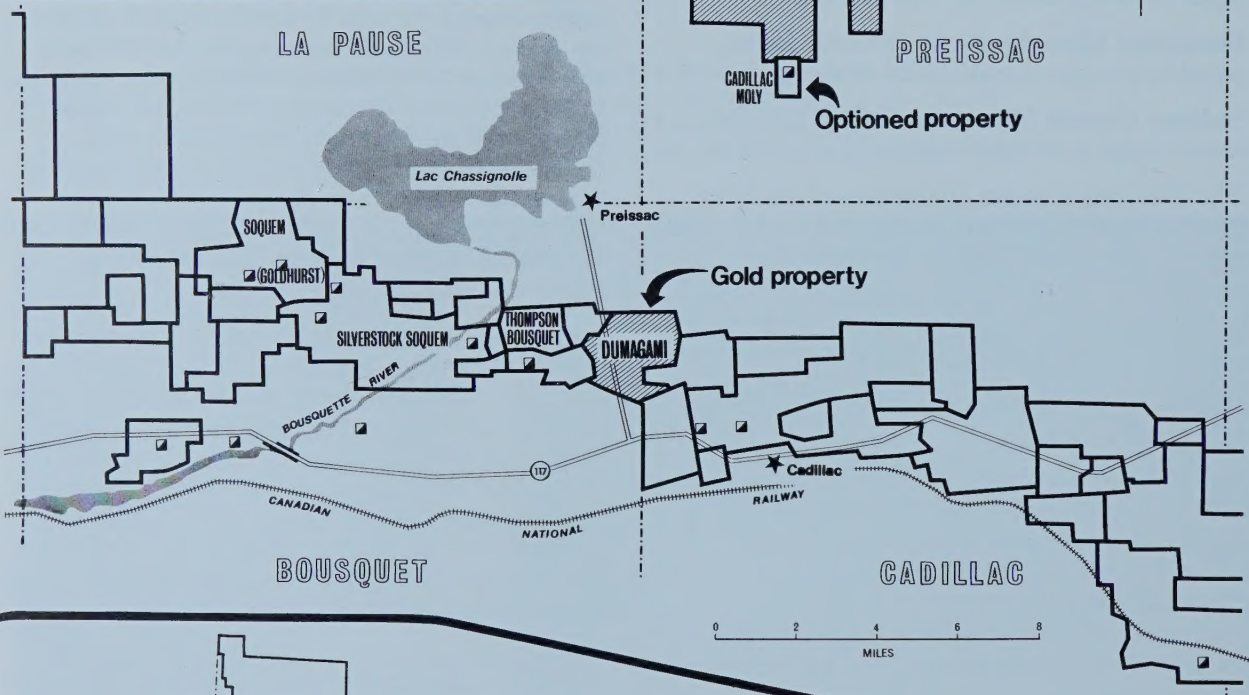
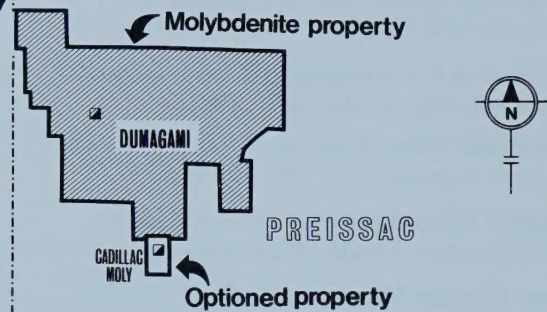
The Gold Division of Agnico-Eagle is now in its eighth year of operation and the cumulative gold production to the end of 1980 totals 401,826 ounces from the treatment of 2,300,180 tons of ore. Ore reserves at the 1980 year end were 1,229,990 tons of an average grade of 0.191 oz. of gold per ton, a nearly four-year forward reserve position. The very substantial underground program slated for the current year should suitably enhance these reserves.



## DETAIL PLAN of MOLYBDENITE PROPERTY

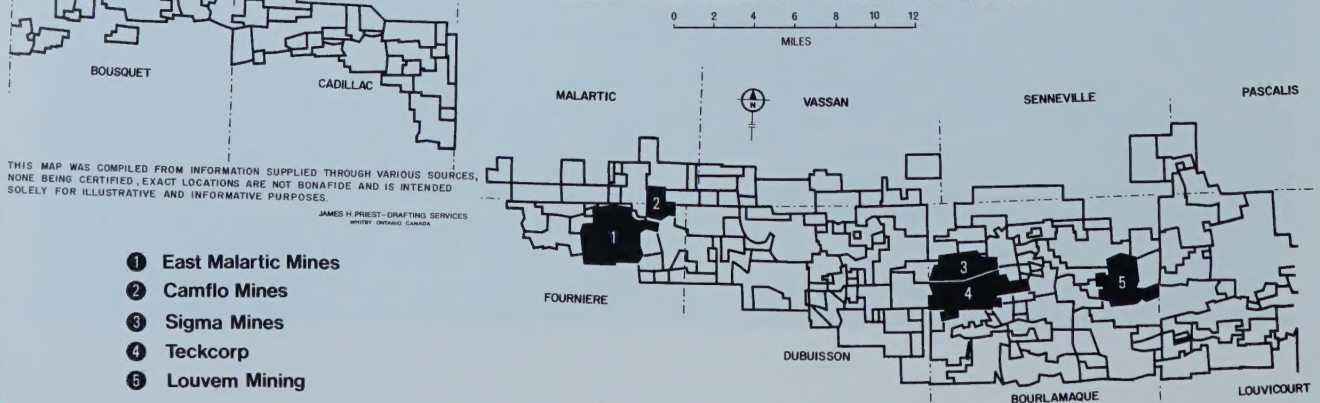


## MALARTIC · VAL d'OR GOLD CAMP



## MAJOR GOLD PRODUCERS

MALARTIC · BOURLAMAQUE MINING AREA · QUEBEC



THIS MAP WAS COMPILED FROM INFORMATION SUPPLIED THROUGH VARIOUS SOURCES, NONE BEING CERTIFIED, EXACT LOCATIONS ARE NOT BONAFIDE AND IS INTENDED SOLELY FOR ILLUSTRATIVE AND INFORMATIVE PURPOSES.

JAMES H. PRIEST-DRAFTING SERVICES  
WINSTON-SALEM, NORTH CAROLINA



## DUMAGAMI MINES LIMITED

**Listed:** Montreal Stock Exchange.

The corporation's resource properties include the Preissac Township Molybdenite Mine, presently on a care and maintenance basis, and the Bousquet-Cadillac Townships Gold-Copper-Silver Deposit, subject of current production feasibility studies. These two properties are approximately six miles apart at the northwest section of the Malartic-Bourlamaque Mining area of Quebec.

Mentor and associated Agnico-Eagle hold a combined approximate 28% equity interest in

Dumagami, and Noranda Mines Ltd. a similar equity interest.

### Molybdenite Property

Surface and underground drilling, the latter conducted from the new drives at the 300 and 600 foot levels, has indicated an estimated reserve of 496,663 tons averaging 0.39% MoS<sub>2</sub>. A new 96-ft. production headframe and mining plant has been installed at the minesite during 1979-1980. The considerable drop in prices for moly led to a decision during the past year to defer further work and place this property and its ancillaries on a standby basis.

*The new 96-ft. production headframe on the leased Cadillac Molybdenite Mine site complete with hoist and compressor building. The maintenance building is partly visible at the left. This houses the mine dry, offices, warehouse, electrical, mechanical, carpentry and machine shops and will be available in conjunction with the erection of milling facilities for gold ore at this site.*

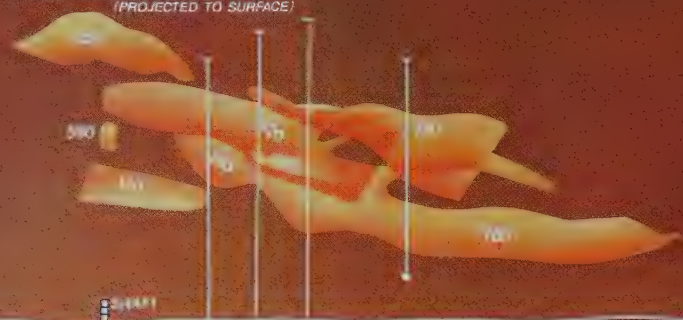




# SURFACE PLAN

## GOLD BEARING ZONES

(PROJECTED TO SURFACE)



Trenches

VEIN No. 2

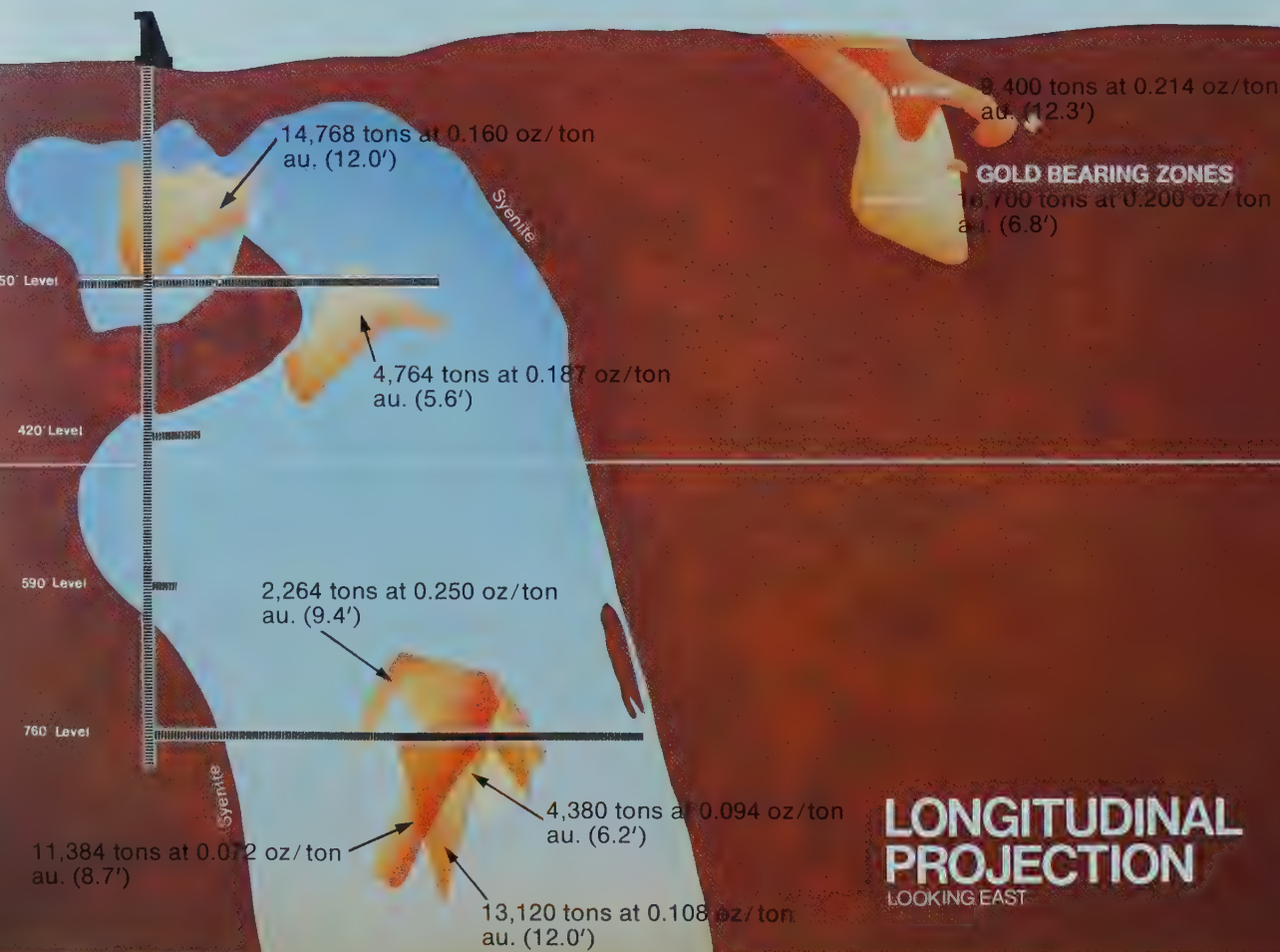
VEIN No. 3

0 100 200 300 400  
FEET



**SUDBURY CONTACT MINES LTD.**

KNUTSON DISCOVERY AREA, LARDER LAKE ONTARIO





## Gold-Silver-Copper Deposit

During the past year, feasibility and environmental studies have continued together with metallurgical test work to provide the necessary data for the commitment to planned production.

In contemplation of this, a large area of the future open pit mining site was stripped, mapped and assayed with adequate samples obtained for metallurgical testing.

Also during fiscal 1980, some 11,600 feet of surface drilling in 20 holes was carried out to further explore the existing geophysical anomalies and favourable geology. Drilling along the easterly strike of the main mineralized zone extended the zone for an additional 1,000 feet. Drill holes 80-1, 80-2 and 80-3, drilled for that purpose returned the following values:

**Hole 80-1:** 30 feet at 0.052 oz. gold and 0.015 oz. silver per ton, 0.47% copper and 0.28% zinc.

**Hole 80-2:** 25 feet at 0.032 oz. gold and 0.11 oz. silver per ton, 0.02% copper and 1.51% zinc.

**Hole 80-3:** 19 feet at 0.054 oz. gold and 2.77 ozs. silver per ton, trace copper and 1.17% zinc.

More importantly, two parallel mineralized zones were also intersected north of the main zone, with interesting results obtained from the #3 lens with the best assay in Hole 80-12, returning 26.0 feet at 0.190 oz. gold and 1.50 ozs. silver per ton, 0.32% copper and 0.96% zinc. The mineralization at this area seems irregular and further testing will be carried out in the future from underground.

The reserves were recalculated in terms of the higher gold prices and anticipated mining methods, detailed as follows in the recent Dumagami 1980 Annual Report:

Horizon	Tons	Grades		
		Oz/Ton Gold	Oz/Ton Silver	Percent Copper
Surface to 425 Level				
Open Pit . . . . .	635,199	0.078	0.25	0.15%
Underground . . . . .	1,370,701	0.093	0.25	0.13%
From 425 to 725 Level	826,203	0.079	0.19	0.09%
Total and Averages . .	2,832,203	0.086	0.23	0.12%

These revisions represent an approximate 500,000 tons increase in total tonnage available, and an increase of more than 300,000 tons from the previously calculated tons to be mined by open pit. The tabulation of reserves is to the approximate 800 foot horizon. Earlier drilling in two deeper holes intersected similar mineralization to a depth of at least 1,200 feet from surface.

The tentative flow sheet indicates the production of a copper-gold-silver concentrate and a separate cyanide recovery from the end product of the gold and silver residuals.

The most recent feasibility study is now being reviewed and a definitive decision to proceed to the production, at an estimated cost of around \$12 million, is expected in the very near term.

Properties contiguous to the west of the Dumagami have established substantial production.

## SUDBURY CONTACT MINES, LIMITED

**Listed:** Toronto Stock Exchange.

Sudbury Contact Mines, Limited, 34.1% owned by Mentor, is an exploration and development enterprise, currently highlighting its properties in the Kirkland-Larder lake gold area of Ontario, and a 25% participating interest in the Serem Joint Venture (in which Agnico-Eagle has a similar 25% interest) in the Toadoggone River-Chapelle area of British Columbia.

### Kirkland-Larder Lake Gold Properties

Surface and underground diamond drilling carried out in two separate stages, the 1975-1976 and 1978 programs, outlined six gold bearing veins containing an estimated 50,680 tons grading 0.128 oz. of gold per ton on the former Laguerre Gold Mine property and 26,100 tons grading 0.205 oz. of gold per ton on the Knutson Zone, about 700 feet south of the Laguerre Shaft.

The 1980 program consisting of 6,414 feet in 16 holes, included further drilling along the projected extension of the Knutson showing, indicated another small gold bearing lens. Another mining corporation has been reviewing the records of the various work programs with a view of considering a comparatively shallow program of mining.

Expenditures to date with respect to the working option on this group of 51 mining claims in McVittie and Hearst Twps. now totals \$588,388, thereby renewing the agreement for a further three-year term from July 17, 1980. Under the agreement, provision has been made if production is reached, to transfer the claims to Sudbury Contact subject to a 15% royalty payable to the optionor.

### Serem Joint Venture, Toadoggone River Area

A \$2.2 million exploration program was recently approved by the joint venture partners for the Lawyers Property and a further \$300,000 expendi-



0 1 2 3 4 KM



BREEZE

LAW 3

NEW LAWYERS 1

NEW  
LAWYERS  
4

NEW  
LAWYERS  
3

NEW  
LAWYERS  
2

AREA COVERED BY  
OPTION AGREEMENT

LAW 1

ATTORNEY  
2

LAW 2

SEREM LTD.

TOODOGGONE  
PROJECT  
OPTION AREA

NTS: 94E/6

Scale: 1:50,000

LEGEND

 KENNCO

 SEREM

 AREA OF BAKER MINE  
(DU PONT OF CANADA  
EXPLORATION LTD.)

PERRY 1

MASON 1

PERRY 2

MASON 2



ture for the contiguous Toodoggone Project area, for the 1981 field season. Equipment and supplies have been mobilized and some already flown to the airstrip servicing the area.

Sudbury Contact and Agnico-Eagle each have a 25% participation in the joint venture undertaking with Serem Limited (a wholly owned subsidiary of Serem S.A. of France), which is the manager/operator of the project, holding the remaining 50%.

The 1981 program involving the Lawyers Property is to be carried out in two stages. The first stage will involve about 10,000 feet of diamond drilling, initially on a tier of holes to test horizons below those probed in earlier drilling during 1979 and 1980. This stage of the program is budgeted at \$900,000 and, predicated on favourable results of this deeper drilling, will enable the implementation of the second stage which is budgeted at \$1.3 million.

The second stage will include an adit to be driven into the side of the mountain for a planned advance of some 600 feet and will include a further 10,000 feet of diamond drilling. Road construction to the adit site and moving the camp into the valley has been tentatively scheduled during July and August.

The first stage drilling commenced in May, 1981, and is expected to be completed during June. This drilling is primarily directed to test under the two tiers or horizons approximately 100 feet and 200 feet, respectively, from surface in the 1980 program which obtained a considerable number of ore grade intersections of gold and silver values, some over impressive core lengths.

The 1979-1980 drilling and earlier work carried out by Kennco Explorations (Western) Limited from which the property was obtained, has indicated a widespread area of gold-silver mineralization over a length in excess of 2,000 feet and a width of 250 feet and to tested depths exceeding 200 feet from surface, on what is known as the Main Amethyst Gold Breccia Zone.

In addition, the 1980 program included silt and soil sampling in the area of the Toodoggone Project, indicating highly anomalous values in gold, silver and base metals. The 1980 program on these two projects was carried out at a cost of some \$1 million and as a consequence of the findings, an additional 94 units were staked in conjunction with the Toodoggone Project.

Total holdings in the area now comprise 814 units (approximately 40,000 acres) with respect to the Toodoggone Project and 153 units (approximately 7,500 acres) for the Lawyers Property.

The Toodoggone Project area is contiguous to the south of the Lawyers Property and to the east of Dupont of Canada's holdings encompassing the Baker Mine which is scheduled to commence production in 1981 to mine and treat some 100,000 tons of ore grading 0.9 oz. of gold and 19 ozs. silver per ton.

## **SOUTH EMERALD TUNGSTEN PROJECT, SALMO, B.C.**

As previously reported, Mentor entered into an agreement with Placer Development Limited whereby it was granted a three-year working option on the claims comprising the former tungsten producing Emerald Mine which was then pooled with the claims comprising the Victory Property.

Under the agreement with Placer, your Corporation, in order to maintain the option, must expend the sum of \$250,000 in exploration and related work during the year ended April 30, 1980 and a further sum of \$100,000 in each of the succeeding yearly periods to April 30, 1982. Thereafter, Mentor may elect to transfer the subject claims to a new corporation with an authorized capital of 100,000 shares of which 60,000 shares will be issued to Mentor and 40,000 shares to Placer.

The first option period was extended for a three month period to July 31, 1980.

The purpose of the South Emerald Tungsten Project was to test for the southern extension of the tungsten mineralization mined by the Emerald Shaft Mine. Tungsten occurred here at the contact of the Reeves Limestone (300 to 600 feet true thickness) and granite of the Emerald Stock. The subsequent drill program by Mentor was intended to locate this contact zone and test it.

However, because of the depth of the zone (plus 1,500 feet), the relatively narrow target (200 feet to 400 feet in plan), the irregularity of the granite surface, and the strong tendency for the holes to deviate, it was difficult to predict where the contact zone should be and then be able to intersect it with a drill hole.

To date, diamond drilling totalling 14,777 feet in 11 holes plus one wedged hole, has been completed in this test. Of these 12 holes, only three intersected the contact zone, encountering generally weak tungsten mineralization. The last hole, M-11, returned the best values with three intersections of slightly less than 0.2%  $WO_3$  and one 3.5 foot length of 0.36%  $WO_3$ .



# TUNGSTEN-MOLYBDENUM PROPERTY

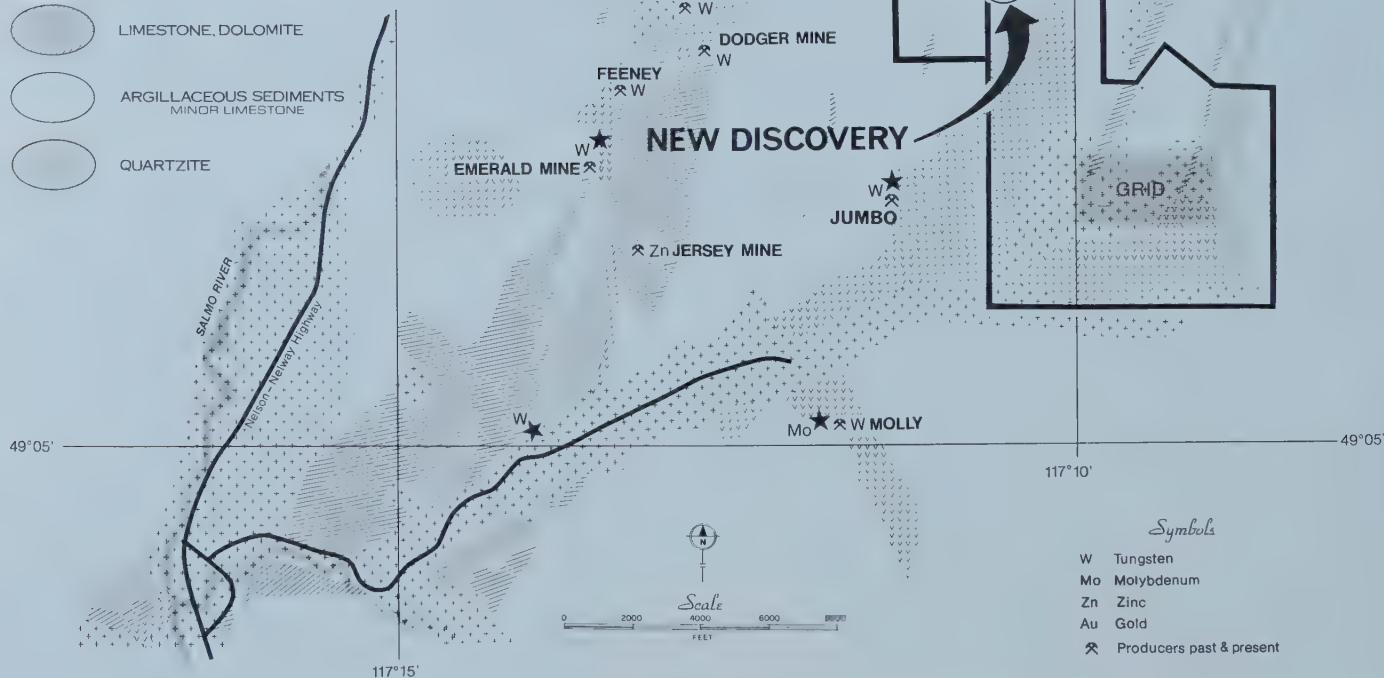
Salmo B.C.

**mentor**  
EXPLORATION AND DEVELOPMENT  
COMPANY LIMITED



## Legend

- NO OUTCROP
- GRANITE
- LIMESTONE, DOLOMITE
- ARGILLACEOUS SEDIMENTS  
MINOR LIMESTONE
- QUARTZITE



## Symbols

- W Tungsten
- Mo Molybdenum
- Zn Zinc
- Au Gold
- Producers past & present



It was concluded that valuable information on the location of the contact and the granite face was obtained during this program and will be useful in future follow-up work. The Emerald property also contains some molybdenum occurrences, the most notable being those found during the development of the Invincible and East Dodger Tungsten mines in the early 1970's. During the development of these mines, haulage drifts were driven through the granite of the Emerald or Dodger Stocks in which significant molybdenite was noted.

Due to the depressed molybdenum prices at that time, nothing further was done to evaluate the potential of these occurrences. However, during the period of the Mentor drilling of the Emerald, the waste dumps were examined and the abundance of good molybdenite mineralization indicated that further work was justified to determine the potential of these occurrences.

Subsequent to this examination, a review of existing drill holes data was carried out and a tentative program to test the Invincible showings has been formulated. Briefly, this would consist of work to differentiate the various granitic intrusives on the property, to map and sample accessible underground drifts, and to test the near-surface Invincible showings with a series of drill holes.

To date, in excess of \$320,000 has been expended in connection with the foregoing project, net of a government grant of \$15,898, thereby satisfying the validation requirements of the working option.

## GENERAL

Prices for both gold and silver were remarkably buoyant during 1980 with an average for the entire year of US\$612 per troy ounce for gold, virtually double the 1979 average of US\$307 per ounce. The average for the first quarter of 1981 was in excess of US\$500 per ounce. In terms of Canadian currency,

these prices equate to \$735 per ounce in 1980, \$366 average for 1979 and \$616 for the first quarter, 1981.

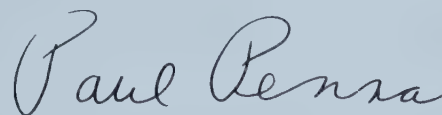
Silver prices moved with gold. The 1979 average of US\$11.01 per troy ounce for silver nearly doubled in 1980 to an average of US\$21.06 for the year and in the first quarter 1981 has averaged about \$11.75 per ounce. Here, again, the equivalent Canadian price would approximate \$25.85 for 1980 and \$14.00 per ounce for the first quarter, 1981.

And perhaps the most profound measure of confidence in the continuing strength of gold (and silver) is evidenced in the nearly \$600 million of funds committed to new mine projects and expansion of existing mines throughout Canada during 1980-81 and for planning purposes, a base of US\$500 per ounce has been widely used by major gold corporations.

Clearly this positive outlook for gold and silver has significant implications for your Corporation in terms of its investments in Agnico-Eagle Mines Limited, Dumagami Mines Limited and other gold-silver projects within the area of its corporate interest.

Your Corporation's financial position, including the portfolio of marketable securities and investments with a quoted value of well in excess of \$30 million, provides an excellent base for the planned expansion of activity in 1981 and beyond.

On behalf of the Board of Directors,



President

May 22, 1981



**BALANCE SHEET**  
**AS AT DECEMBER 31, 1980**

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**ASSETS**

CURRENT ASSETS

Sundry receivable .....  
Prepaid expenses (Note 2) .....  
Advances to other corporations .....

OTHER ASSETS

Investments, at cost .....  
Mining claims and options (Note 3) .....  
Deferred exploration expenditures .....

**LIABILITIES AND SHAREHOLDERS' EQUITY**

CURRENT LIABILITIES

Bank indebtedness (Note 4) .....  
Payable to brokers (Note 4) .....  
Accounts payable and accrued charges .....  
Loans payable — 10% .....  
Income taxes payable .....

DEFERRED INCOME TAXES (Note 6) .....

TOTAL LIABILITIES .....

SHAREHOLDERS' EQUITY

Capital  
    Authorized  
        5,000,000 Shares, without par value  
    Issued  
        3,455,746 Shares .....  
RETAINED EARNINGS .....

See accompanying notes to financial statements.



# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

1980	1979
\$ 5,331	\$ 1,549
1,000	1,900
10,358	40,358
<u>16,689</u>	<u>43,807</u>
8,408,111	6,039,348
250,450	238,398
454,237	189,324
9,112,798	6,467,070
<u>\$9,129,487</u>	<u>\$6,510,877</u>
\$ 753,489	\$2,540,198
171,249	154,649
20,503	105,680
—	356,900
<u>1,006,120</u>	<u>—</u>
1,951,361	3,157,427
278,120	—
<u>2,229,481</u>	<u>3,157,427</u>
1,802,966	1,802,966
5,097,040	1,550,484
6,900,006	3,353,450
<u>\$9,129,487</u>	<u>\$6,510,877</u>

## AUDITORS' REPORT TO THE SHAREHOLDERS OF Mentor Exploration and Development Co., Limited

*We have examined the balance sheet of Mentor Exploration and Development Co., Limited as at December 31, 1980 and the statements of income and retained earnings, deferred exploration expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.*

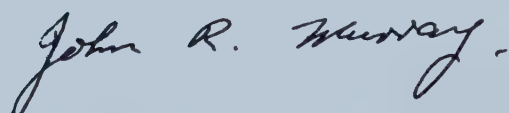
*In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.*

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL  
Chartered Accountants

Toronto, Ontario  
March 15, 1981

Approved on behalf of the Board of Directors:

  
Paul Penna, Director

  
John R. Murray, Director



# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

## STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended December 31, 1980

	1980	1979
EXPENSES		
Administration and office services .....	\$ 14,950	\$ 10,800
Interest and bank charges .....	339,335	295,088
Legal and audit .....	40,356	31,694
Shareholders' information .....	23,874	14,422
Property examination consulting fees .....	27,610	33,567
Transfer agent fees .....	7,469	5,516
Miscellaneous .....	5,876	8,645
Travel expense .....	2,021	1,405
Directors' fees .....	1,100	1,000
	<u>462,591</u>	<u>402,137</u>
Less: Gain on sale of marketable securities and investments .....	5,054,417	409,100
Interest and dividends earned .....	238,970	151,292
	<u>5,293,387</u>	<u>560,392</u>
INCOME BEFORE INCOME TAXES .....	4,830,796	158,255
Provision for income taxes — current .....	1,006,120	—
— deferred .....	278,120	—
	<u>1,284,240</u>	<u>—</u>
NET INCOME FOR THE YEAR .....	<u>3,546,556</u>	<u>158,255</u>
RETAINED EARNINGS, beginning of year .....	1,550,484	1,392,229
RETAINED EARNINGS, end of year .....	<u>\$5,097,040</u>	<u>\$1,550,484</u>
EARNINGS PER SHARE .....	<u>\$1.03</u>	<u>4.5¢</u>

See accompanying notes to financial statements.



# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

## STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

For the Year Ended December 31, 1980

	1980	1979
SALMO AREA, BRITISH COLUMBIA		
Consulting fees . . . . .	\$ 39,420	\$ 37,489
Miscellaneous . . . . .	2,749	4,929
Diamond drilling . . . . .	238,168	38,977
	280,337	81,395
Less: Government grant . . . . .	15,898	—
	264,439	81,395
OTHER PROPERTIES		
Licences and taxes . . . . .	474	165
	264,913	81,560
DEFERRED EXPLORATION EXPENDITURES, beginning of year . . . . .	189,324	177,368
	454,237	258,928
Less: Deferred expenditures reclassified to royalty interests . . . . .	—	69,604
DEFERRED EXPLORATION EXPENDITURES, end of year . . . . .	\$ 454,237	\$ 189,324

See accompanying notes to financial statements.



# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

## SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

As at December 31, 1980

	<u>1980</u>	<u>1979</u>
Belleterre Area, Quebec . . . . .	\$ 47,694	\$ 47,694
Salmo Area, British Columbia . . . . .	<u>406,543</u>	<u>141,630</u>
	<u>\$ 454,237</u>	<u>\$ 189,324</u>

## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1980

	<u>1980</u>	<u>1979</u>
<b>SOURCE OF FUNDS</b>		
FROM OPERATIONS		
Net income for the year . . . . .	\$ 3,546,556	\$ 158,255
Deferred income taxes . . . . .	<u>278,120</u>	<u>—</u>
	3,824,676	158,255
Reclassification of deferred expenditures . . . . .	<u>—</u>	<u>69,604</u>
	<u>3,824,676</u>	<u>227,859</u>
<b>APPLICATION OF FUNDS</b>		
Increase in mining claims . . . . .	12,052	82,518
Acquisition of investments . . . . .	2,368,763	1,928,019
Exploration expenditures . . . . .	<u>264,913</u>	<u>81,560</u>
	<u>2,645,728</u>	<u>2,092,097</u>
INCREASE (DECREASE) IN WORKING CAPITAL . . . . .	1,178,948	(1,864,238)
WORKING CAPITAL DEFICIENCY, beginning of year . . . . .	<u>(3,113,620)</u>	<u>(1,249,382)</u>
WORKING CAPITAL DEFICIENCY, end of year . . . . .	<u>\$(1,934,672)</u>	<u>\$(3,113,620)</u>

See accompanying notes to financial statements.

# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

## NOTES TO FINANCIAL STATEMENTS

December 31, 1980

### 1. ACCOUNTING POLICY

The Company follows the policy of deferring exploration expenditures until such time as the properties commence production. Properties determined to be of little or no value are written down to nominal value and deferred exploration thereon is written off against retained earnings. The amounts shown for deferred exploration expenditures are not intended to reflect present or future values.

### 2. SECURITY DEPOSIT

The security deposit represents a permit to perform mineral exploration in the Salmo Area of British Columbia. The permit is valid until May 2, 1982.

### 3. MINING CLAIMS AND OPTIONS

Mining claims and options are represented as follows:

	1980	1979
— Kootenay District, B.C. (see below) . . . . .	\$ 12,000	\$ —
— 13 claims in Gullet Township . . . . .	50,000	50,000
— Victory, B.C. option (see below) . . . . .	40,000	40,000
— Royalty interest (see below) . . . . .	148,448	148,396
— Miscellaneous claims at nominal value . . . . .	2	2
	<u>\$250,450</u>	<u>\$238,398</u>

#### (a) Kootenay District, B.C.

This represents claims and options to mine and explore property in the Nelson Mining Division, Kootenay District, B.C. The total purchase price of the option which must be exercised by the sixth anniversary date of the agreement, (January 31, 1986), is \$225,000. Consideration for granting of the option is \$12,000 per annum which will be applied to purchase price if option is exercised.

#### (b) Victory, B.C. Option

This represents an exclusive option to mine and explore property in Victory, B.C. Option renewable until December 1, 1982 by payments of \$10,000 per annum, which have been made. At December 1, 1982 the Company has the choice of either purchasing the claims outright or abandoning their options in this area.

#### (c) Royalty Interests

During 1979 the Company sold certain mining claims and retained a royalty interest therein. The royalty interests represent the costs of 17 mining claims in the Townships of Buckles and Joubin, District of Algoma and the deferred costs accumulated thereon. Pursuant to an agreement dated September 14, 1979 the consideration received on the sale of these claims is an annual royalty of 3% of the gross revenue from the lands.

### 4. BANK INDEBTEDNESS AND PAYABLE TO BROKERS

These liabilities are secured by certain of the investments.

### 5. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers for the year ended December 31, 1980 amounted to \$1,100 (1979 — \$1,000).

### 6. DEFERRED INCOME TAXES

The Company records income taxes on the tax allocation basis. Differences between accounting and taxable income occur as a result of claiming items for income tax purposes in excess of those recorded for accounting purposes. The resultant differences are reflected in the balance sheet as deferred income taxes.



# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

## STATEMENT OF INCOME (Prepared Without Audit) For the Three Months Ended March 31, 1981

	1981	1980
EXPENSES		
Interest and bank charges .....	\$ 81,101	\$ 87,520
Administration .....	6,749	5,850
Certificate costs .....	1,414	—
Shareholders' information .....	275	900
Consulting fees and general .....	6,436	7,281
Legal and accounting .....	1,585	4,865
Directors' fees .....	—	300
Transfer agent's fees .....	1,500	1,353
	<u>99,060</u>	<u>108,069</u>
Less: Gain on sale of investments .....	123,460	856,901
Interest earned .....	750	611
	<u>124,210</u>	<u>857,512</u>
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM .....	<u>25,150</u>	<u>749,443</u>
Income taxes .....	—	178,239
INCOME BEFORE EXTRAORDINARY ITEM .....	<u>25,150</u>	<u>571,204</u>
Utilization of unrecorded deferred tax benefits .....	—	170,405
NET INCOME FOR THE PERIOD .....	<u>\$ 25,150</u>	<u>\$ 741,609</u>
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEM .....	<u>.7¢</u>	<u>16.5¢</u>
EARNINGS PER SHARE .....	<u>.7¢</u>	<u>21.5¢</u>

## STATEMENT OF DEFERRED EXPLORATION EXPENDITURES (Prepared Without Audit) For The Three Months Ended March 31, 1981

	1981	1980
SALMO AREA, BRITISH COLUMBIA		
Diamond drilling .....	\$ 46,353	\$ 58,214
Consulting fees .....	10,412	22,192
Miscellaneous .....	945	2,057
	<u>57,710</u>	<u>82,463</u>
Less: Government grant received .....	—	(15,899)
	<u>57,710</u>	<u>66,564</u>
DEFERRED EXPLORATION EXPENDITURES, beginning of period .....	<u>454,237</u>	<u>189,324</u>
DEFERRED EXPLORATION EXPENDITURES, end of period .....	<u>\$511,947</u>	<u>\$255,888</u>

# MENTOR EXPLORATION AND DEVELOPMENT CO., LIMITED

## SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

(Prepared Without Audit)

As at March 31, 1981

	<u>1981</u>	<u>1980</u>
Belleterre Area, Quebec . . . . .	\$ 47,694	\$ 47,694
Salmo Area, British Columbia . . . . .	<u>464,253</u>	<u>208,194</u>
	<u>\$ 511,947</u>	<u>\$ 255,888</u>

## STATEMENT OF CHANGES IN FINANCIAL POSITION

(Prepared Without Audit)

For the Three Months Ended March 31, 1981

	<u>1981</u>	<u>1980</u>
SOURCE OF WORKING CAPITAL		
FROM OPERATIONS		
Net income for the period . . . . .	\$ 25,150	\$ 741,609
Add: Non-cash item — cost of investments sold . . . . .	<u>105,040</u>	<u>685,432</u>
	130,190	1,427,041
Government exploration grant . . . . .	<u>—</u>	<u>15,899</u>
	<u>130,190</u>	<u>1,442,940</u>
APPLICATION OF WORKING CAPITAL		
Mining claims, options and royalty interests . . . . .	14,092	51
Purchase of investments . . . . .	1,749,121	502,896
Exploration expenditures . . . . .	<u>57,710</u>	<u>82,463</u>
	<u>1,820,923</u>	<u>585,410</u>
INCREASE (DECREASE) IN WORKING CAPITAL . . . . .	(1,690,733)	857,530
WORKING CAPITAL DEFICIENCY, beginning of period . . . . .	<u>(1,934,672)</u>	<u>(3,113,620)</u>
WORKING CAPITAL DEFICIENCY, end of period . . . . .	<u>\$ (3,625,405)</u>	<u>\$ (2,256,090)</u>





*The Langis Mine, a former silver producer recovery in excess of 10 million ounces of silver from ore averaging over 20 ounces per ton, had some 100,000 ounces of silver in place prior to closure in 1968. A new mining plant and headframe was installed during 1980 in preparation for the current program of exploration and development.*

*The Trout Lake Mine shown below was recently purchased by Agnico-Eagle. This property produced some 1.8 million ounces during the period of operation by Agnico-Eagle from 1973-1975 when it was held under lease. It is slated for re-examination and exploration during 1981.*









